

Economic Investment Trust Limited



Seventy-Fourth Annual Report
December 31, 2000

Economic Investment Trust Limited

THE YEAR AT A GLANCE 74th Annual Report

	2000	1999
Total investment income	\$ 5,801,017	\$ 4,957,356
Net investment income	\$ 4,769,362	\$ 4,146,249
Net investment income per common share	\$ 2.07	\$ 1.80 *
Increase in net assets from operations	\$ 57,097,076	\$ 25,102,607
Increase in net assets from operations per common share	\$ 24.81	\$ 10.90 *
Regular dividends per common share	\$ 1.70	\$ 1.65 *
Net assets (Market value)	\$ 384,157,748	\$ 330,242,175
Net equity value per common share	\$ 177.15	\$ 144.87 *
Number of common shares outstanding at year-end	2,300,469	2,227,455

* Per share figures for 1999 have been restated for the stock dividend (1 for 30.47942) paid in 2000.

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

The Annual and Special Meeting of Shareholders will be held at 11:45 a.m. on Monday, May 7, 2001 in the Board Room of The Dominion of Canada General Insurance Company, 10th Floor, 165 University Avenue, Toronto. All Shareholders are invited to attend.

HEAD OFFICE	Tenth Floor, 165 University Avenue, Toronto, Ontario Tel: 416-947-2578
SHARES LISTED	Toronto Stock Exchange
STOCK SYMBOLS	
Common	EVT
Series A Preferred	EVT.PR.A
BANKERS	Bank of Nova Scotia
AUDITORS	PricewaterhouseCoopers LLP
TRANSFER AGENT AND REGISTRAR	Computershare Trust Company of Canada

Economic Investment Trust Limited

BOARD OF DIRECTORS

J. CHRISTOPHER BARRON	Chairman Scotia Cassels Investment Counsel Limited
JOHN B. CRONYN	President RCO Investments Limited
IRVING R. GERSTEIN	President Glenoak Capital
DUNCAN N. R. JACKMAN	Managing Director The Fulcrum Investment Company Limited
THE HONOURABLE HENRY N. R. JACKMAN	Chairman & President E-L Financial Corporation Limited
JOHN A. RHIND	Corporate Director
HELEN J. ROTENBERG	Corporate Director
MARK M. TAYLOR	Vice-President, Finance and Secretary E-L Financial Corporation Limited
ADAM H. ZIMMERMAN	Retired Chairman Noranda Forest Inc.

OFFICERS

DUNCAN N. R. JACKMAN	Chairman of the Board
MARK M. TAYLOR	Secretary
TRAVIS R. EPP	Treasurer

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Results

In 2000, Economic Investment Trust Limited increased net assets from operations by \$57,097,076 compared to \$25,102,607 in 1999. Increase in net assets from operations is comprised of net investment income and net gain on investments.

Net investment income

The Company's net investment income in 2000 was \$4,769,362 compared to 1999 net investment income of \$4,146,249. On a per common share basis, net investment income increased to \$2.07 in 2000 from \$1.80 in 1999.

Canadian dividend income increased by 18.6% from \$3,972,025 in 1999 to \$4,709,674 in 2000. The 18.6% increase from 1999 is mainly due to a shift in investment holdings in Canadian companies from foreign companies. As a result of this shift, foreign dividend income decreased by 21.7% from \$526,392 in 1999 to \$412,072 in 2000. Interest income amounted to \$679,271 in 2000, an increase of 48% from 1999. The increase in interest income is attributable to the increase in average cash balances that occurred during the turnover in the portfolio.

Operating expenses amounted to \$1,002,720 (1999 - \$747,776) or .26% (1999 - .24%) of average net assets for each respective year. The increase in operating expenses is primarily a result of the change in the investment manager in 2000.

Net gain on investments

The Company's realized gain and unrealized appreciation of investments for the year ended December 31, 2000 was \$52,327,714 compared with a net gain of \$20,956,358 in 1999. The increase in the net gain in 2000 is primarily a result of the Company's Canadian securities performance in the financial services and oil and gas sectors. In 1999, the net gain was primarily a result of a favourable performance in both the Canadian telecommunications sector and the foreign securities in the portfolio, which were somewhat offset by the negative performance in the financial services sector.

The investment portfolio of the Company is comprised of a mix of high yielding and low yielding foreign and Canadian investments. Net investment income, net realized gains on investments, net change in unrealized appreciation of investments and net asset value per share will vary significantly from period to period depending on the investment mix which moves with the constantly changing economic environment.

Dividends

It is a policy of the Company to distribute to its shareholders in any taxation year sufficient taxable Canadian dividends to enable the Company to maintain its status as an "investment corporation" as defined by the Income Tax Act (Canada). In general terms, the distribution requirement is eighty-five percent of taxable Canadian dividends received and two-thirds of taxable income excluding taxable capital gains.

Economic Investment Trust Limited

Regular quarterly dividends were paid on our preferred shares. Dividends out of net investment income on the common shares outstanding, totalled \$1.70 per share compared with \$1.65 per share during 1999 (restated to give retroactive effect to the February, 2000 stock dividend).

If significant capital gains have been earned by the Company, it is a policy of the Company to pay an annual capital gains dividend to recover taxes paid or payable. Historically, capital gains dividends have been paid out within 60 days of the Company's year end in a combination of cash and common shares of the Company.

On February 9, 2000, your Directors declared a dividend of \$6.48 per common share, payable on February 28, 2000, which qualified as a capital gains dividend under the Income Tax Act (Canada). Payment of this dividend was made in the form of \$1.62 per share in cash and \$4.86 per share by way of a stock dividend in common shares, based on an issue price of \$148.13 per share. Each shareholder therefore received an additional common share for every 30.47942 shares owned. This capital gains dividend was paid out in order to recover the capital gains tax exigible on the Company's capital gains realized in 1999.

Subsequent to the year end, on February 7, 2001, the company declared a capital gains dividend of \$39.60 per common share payable on February 28, 2001 to shareholders of record February 19, 2001 payable \$29.70 in stock and \$9.90 in cash. Approximately 395,600 common shares will be issued for a total consideration of approximately \$68,324,000 in satisfaction of the stock dividend, resulting in the issue of 1 common share for each 5.81549 common shares outstanding at the record date.

Assets

Total assets are \$414,309,891 at December 31, 2000 which is an increase of 21.8% from 1999's total assets of \$340,077,842. The cost of investments in Canadian securities rose 83.9% in 2000 to \$243,077,230. The market value for Canadian securities, as adjusted for security dispositions, increased by 26.7% in 2000. The cost of investments in foreign securities at December 31, 2000 was \$20,536,035, a decrease of 46.9% over 1999. The market value of foreign securities, as adjusted for security dispositions, decreased by 11.1% in 2000.

Overall, the Company's net equity value per share increased from \$144.87 in 1999 (restated for 2000 stock dividend) to \$177.15 in 2000, achieving an annual rate of return of 24.8% based on reinvestment of distributions at month-end net asset values. During the comparable period, the TSE 300 Total Return Index increased 7.4%.

Economic Investment Trust Limited

Liquidity and Capital Resources

Liquidity refers to the Company's ability to maintain a cash flow adequate to fund operations and capital investments on a timely and cost efficient basis. It is the objective of the Company to provide its shareholders an above average total rate of return primarily through long-term capital appreciation principally in equity securities. From time to time, however, assets of the Company may be invested in interest bearing short-term securities pending the selection of suitable equity investments. The Company's income from operations after payment of taxable dividends is used to fund operating costs as well as provide resources for additional investments.

Retirement of the Chairman

The board would also like to thank the tremendous contribution of its retiring Chairman, The Honourable Henry N.R. Jackman. Mr. Jackman first joined the board in 1966 when the net assets of the corporation were approximately \$19.6 million. At his retirement, the net assets of the Company stood at over \$384 million. On a per share basis, adjusted for stock splits and stock dividends, the net asset value increased from \$6.24 at the beginning of Mr. Jackman's tenure to \$177.15 at the end of his tenure. Mr. Jackman will remain as a member of the board of Economic Investment Trust Limited.

February 7, 2001

Duncan N.R. Jackman
Chairman of the Board

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF NET ASSETS

	December 31	
	2000	1999
ASSETS		
Investments, at indicated market value (cost - \$263,613,265; 1999 - \$170,875,785)	\$ 406,172,307	\$ 327,375,959
Cash (including short-term investments of \$6,076,504; 1999 - \$8,996,106)	6,760,379	9,311,633
Receivable in respect of investments sold	718,175	2,880,781
Accrued income on investments	617,326	476,761
Other assets	41,704	32,708
	<u>414,309,891</u>	<u>340,077,842</u>
LIABILITIES		
Accounts payable and accrued liabilities	192,206	124,455
Income taxes payable	24,417,139	4,202,186
Future income taxes on unrealized net capital gains (Note 1(f))	5,542,798	5,509,026
	<u>30,152,143</u>	<u>9,835,667</u>
Net assets, at indicated market value	<u>\$ 384,157,748</u>	<u>\$ 330,242,175</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 4)	\$ 122,528,249	\$ 111,797,686
Contributed surplus (Note 4)	1,491,353	1,489,558
Unrealized appreciation of investments (Note 2)	137,016,244	150,991,148
Retained earnings	123,121,902	65,963,783
Total shareholders' equity	<u>\$ 384,157,748</u>	<u>\$ 330,242,175</u>

APPROVED BY THE BOARD:

HON. HENRY N.R. JACKMAN Director

J. CHRISTOPHER BARRON Director

(See accompanying notes)

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF OPERATIONS

	Year ended December 31	
	2000	1999
INVESTMENT INCOME		
Dividends:		
Canadian	\$ 4,709,674	\$ 3,972,025
Foreign	412,072	526,392
	5,121,746	4,498,417
Interest	679,271	458,939
	5,801,017	4,957,356
Expenses:		
Operating	1,002,720	747,776
Income taxes (Note 2)	28,935	63,331
	1,031,655	811,107
NET INVESTMENT INCOME	4,769,362	4,146,249
REALIZED AND UNREALIZED GAIN ON INVESTMENTS		
Net realized gain on investments (Note 3)	66,302,618	10,063,519
Net change in unrealized appreciation of investments ...	(13,974,904)	10,892,839
NET GAIN ON INVESTMENTS	52,327,714	20,956,358
INCREASE IN NET ASSETS FROM OPERATIONS	\$ 57,097,076	\$ 25,102,607

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended December 31	
	2000	1999
RETAINED EARNINGS, BEGINNING OF YEAR	\$ 65,963,783	\$ 63,605,503
Add:		
Net investment income	4,769,362	4,146,249
Net realized gain on investments	66,302,618	10,063,519
Refundable taxes recovered	1,332,903	1,293,091
	138,368,666	79,108,362
Deduct:		
Dividends from net investment income (Note 4)	3,998,710	3,879,274
Capital gains dividends, net of income tax recovery of \$4,709,063 (1999 - \$3,789,564) (Note 4)	9,724,845	7,825,958
Provision for refundable taxes	1,523,209	1,439,347
	15,246,764	13,144,579
RETAINED EARNINGS, END OF YEAR	\$ 123,121,902	\$ 65,963,783

(See accompanying notes)

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Year ended December 31	
	2000	1999
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 57,097,076	\$ 25,102,607
DISTRIBUTIONS TO SHAREHOLDERS		
Common shareholders		
From net investment income	(3,910,797)	(3,786,674)
From net realized gain on investments	(14,433,908)	(11,615,522)
	(18,344,705)	(15,402,196)
Less: Shares issued as stock dividends	10,815,563	8,702,569
Cash distributions to common shareholders	(7,529,142)	(6,699,627)
Cash distributions to preferred shareholders	(87,913)	(92,600)
	(7,617,055)	(6,792,227)
CAPITAL SHARE TRANSACTIONS		
Purchase of preferred shares for redemption	(83,205)	(103,270)
TAXATION CHANGES		
Income taxes recoverable on distributions from net realized gain on investments	4,709,063	3,789,564
Net increase in refundable dividend tax on hand	(190,306)	(146,256)
	4,518,757	3,643,308
INCREASE IN NET ASSETS	53,915,573	21,850,418
NET ASSETS, BEGINNING OF YEAR	330,242,175	308,391,757
NET ASSETS, END OF YEAR	<u>\$ 384,157,748</u>	<u>\$ 330,242,175</u>

(See accompanying notes)

Economic Investment Trust Limited

STATEMENT OF FINANCIAL HIGHLIGHTS

For each of the years in the five year period ended December 31, 2000

DATA PER COMMON SHARE	2000	1999	1998	1997	1996
NET EQUITY VALUE, beginning of year	\$144.87	\$134.90	\$ 136.27	\$ 94.66	\$ 74.50
INCOME FROM INVESTMENT OPERATIONS AVAILABLE TO COMMON SHAREHOLDERS					
Net investment income	2.07	1.80	2.22	1.99	1.89
Net realized and unrealized gains (losses) on investments	22.74	9.10	(1.95)	42.42	19.06
	24.81	10.90	0.27	44.41	20.95
DISTRIBUTIONS TO SHAREHOLDERS					
Common shareholders					
From net investment income	(1.70)	(1.65)	(1.55)	(14.32)	(1.32)
From net realized gains on investments	(6.27)	(5.04)	(6.38)	(3.44)	(2.70)
	(7.97)	(6.69)	(7.93)	(17.76)	(4.02)
Less: Shares issued as stock dividends	4.70	3.79	4.78	12.74	2.02
Cash distributions to common shareholders	(3.27)	(2.90)	(3.15)	(5.02)	(2.00)
Cash distributions to preferred shareholders	(0.04)	(0.04)	(0.04)	(0.05)	(0.05)
	(3.31)	(2.94)	(3.19)	(5.07)	(2.05)
TAXATION CHANGES					
Income taxes recoverable on distributions from net realized gain on investments	2.05	1.65	2.09	1.12	0.88
Change in refundable capital gains tax on hand	8.81	0.43	(0.48)	1.01	0.24
Net (increase) decrease in refundable dividend tax on hand	(0.08)	(0.07)	(0.06)	0.14	0.14
	10.78	2.01	1.55	2.27	1.26
NET EQUITY VALUE, end of year	\$177.15	\$144.87	\$134.90	\$ 136.27	\$ 94.66

All per share figures have been restated based on the number of common shares outstanding at December 31, 2000 as a result of stock dividends during the period.

RATIO/SUPPLEMENTAL DATA (Note 7)

Total net assets, end of year (thousands)	\$384,158	\$330,242	\$308,392	\$310,642	\$217,327
Weighted average net assets (thousands)	\$381,778	\$314,412	\$325,421	\$276,925	\$197,155
Ratio of operating expenses to average net assets	0.26%	0.24%	0.15%	0.16%	0.18%
Portfolio turnover rate	72%	15%	14%	26%	22%
Annual rate of return	24.8%	9.7%	1.2%	49.5%	30.1%

(See accompanying notes)

Economic Investment Trust Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 2000

1. Summary of significant accounting policies

- (a) Principles of consolidation -
The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries, Econos Foreign Investment Company Limited, Econos Canadian Investment Company Limited and Econos N.V.G. Investment Company Limited.
- (b) Carrying value of investments -
The indicated market values of investments listed on stock exchanges are based on closing market quotations. The indicated market values of investments not listed on stock exchanges have been determined by the directors based on the underlying market values of the net assets represented by such securities.
- (c) Investment transactions -
Investment transactions are accounted for on a trade date basis. Realized gains and losses from investment transactions are calculated on an average cost basis.
- (d) Dividend and interest income -
Dividend income is recognized on the ex-dividend date and interest income is recognized as earned.
- (e) Foreign exchange -
Foreign currency amounts included in the financial statements are stated in Canadian dollars on the following basis:
 - market value of investments at the closing rate of exchange; and
 - purchases and sales of investments, investment income and expenses at the rate of exchange prevailing when the transactions giving rise to such items occurred.
- (f) Income taxes -
The company follows the asset and liability method of accounting for income taxes. Future income tax liabilities are measured using tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be settled on the unrealized appreciation of the investments held by the company's wholly-owned subsidiaries, since such taxes would not be recoverable upon payment of capital gains dividends by the company (see Note 2).

2. Taxation

The company qualifies as an investment corporation under Section 130 of the Income Tax Act (Canada) and is subject to a reduced rate of tax on its investment income other than dividends received from taxable Canadian corporations and net taxable capital gains. The company's provision for income taxes on investment income is determined as follows:

	2000	1999
Basic combined federal and provincial rate	43.15%	43.82%
Investment corporation reduction	(20.00)	(20.00)
	23.15	23.82
Effect of tax on subsidiaries' income at basic tax rate and other adjustments	4.92	2.31
Effective tax rate	28.07%	26.13%
Applied to		
Net income for the year	\$ 4,769,362	\$ 4,146,249
Add: Income taxes	28,935	63,331
Large corporation tax	14,473	4,814
	4,812,770	4,214,394
Less: Dividends from taxable Canadian companies	4,709,674	3,972,025
	\$ 103,096	\$ 242,369
Provision for income taxes	\$ 28,935	\$ 63,331

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Economic Investment Trust Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 2000 (continued)

The company is also subject to a special tax of up to 33 1/3% on taxable dividends received from corporations resident in Canada. This special tax is refundable on payment of taxable dividends to shareholders at the rate of \$1.00 for each \$3.00 of such dividends paid. The amount eligible for refund at December 31, 2000, all of which is included in the statement of retained earnings amounted to \$467,599 (1999 - \$277,293).

Income taxes are also payable by the company on net taxable capital gains realized and these taxes are recoverable by the company, as long as it continues to qualify as an investment corporation, through the distribution of capital gains dividends at the rate of approximately 27% of such distributions made. The company has refundable capital gains tax on hand of approximately \$25,135,000 at December 31, 2000 (1999 - \$4,876,000). This potential recovery has not been recorded in the company's accounts.

In accordance with the Income Tax Act, Canada ("the Act"), a corporation can qualify as an investment corporation if certain tests are satisfied. One of the tests is that the Corporation can not have specified shareholders. A specified shareholder is generally a shareholder, who, along with certain persons with whom the shareholder is related, has a greater than 25% shareholding. The company has had specified shareholders since June 20, 1996. The specified shareholders section of the Act generally allows the company to maintain its investment corporation status as long as it does not have any specified shareholders other than specified shareholders existing on June 20, 1996. In addition, the specified shareholders at June 20, 1996 cannot, after that date, contribute capital or acquire additional shares of the company other than through certain specified transactions.

At December 31, 2000, the parent company had approximately \$110,650,000 (1999 - \$138,600,000) of unrealized net capital gains for tax purposes on securities held in its investment portfolio. No provision has been made for refundable capital gains taxes of approximately \$23,700,000 (1999 - \$45,200,000) that would have been payable by the parent company if the investments had been disposed of at their market value at December 31, 2000. Such taxes would be refundable to the parent company on distribution of such gains to shareholders in the manner referred to above.

The details of unrealized appreciation of investments as at December 31 are as follows:

	2000	1999
Investments at market value	\$ 406,172,307	\$ 327,375,959
Investments at cost	263,613,265	170,875,785
Unrealized appreciation of investments before provision for future income taxes	142,559,042	156,500,174
Future income taxes	5,542,798	5,509,026
Unrealized appreciation of investments	<u>\$ 137,016,244</u>	<u>\$ 150,991,148</u>

Economic Investment Trust Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 2000 (continued)

3. Realized gain on investments

The following are the details of the realized gain on investments during the years indicated:

	2000	1999
Proceeds on sales of investments	\$255,301,648	\$ 54,898,411
Cost of investments, beginning of year	170,875,785	163,568,146
Cost of investments purchased during the year	256,730,326	47,293,705
	427,606,111	210,861,851
Cost of investments, end of year	263,613,265	170,875,785
Cost of investments sold during the year	163,992,846	39,986,066
Realized gain on investments sold before taxes	91,308,802	14,912,345
Taxes on realized net taxable capital gains	25,006,184	4,848,826
Net realized gain on investments	<u>\$ 66,302,618</u>	<u>\$ 10,063,519</u>

4. Capital stock and dividends

The authorized classes of share capital at December 31, 2000 are as follows:

- 133,490 cumulative preferred shares; and
- an unlimited number of common shares.

The directors have designated the first series of preferred shares as Series A. The series consists of 33,490 authorized shares which have a cumulative dividend of \$2.50 per share per annum and are redeemable at any time at a price of \$52.50 per share together with any unpaid dividends. The articles of the company provide that the company, in the reasonable exercise of its discretion, will annually purchase for cancellation 2,500 5% cumulative preferred shares Series A, at a price not to exceed \$50.00 per share.

The following cash and stock dividends were paid during the year ended December 31, 2000:

	Regular dividends	Capital gains dividends
On preferred shares, \$2.50 (1999 - \$2.50) per share;	\$ 87,913	\$ —
On 2,300,469 common shares, \$1.70 (1999 - \$1.70) per share;	3,910,797	—
Capital gains dividend on 2,227,455 common shares \$1.62 cash	—	3,608,477
\$4.86 stock (73,080.623 shares issued)	—	10,825,431
	<u>\$ 3,998,710</u>	<u>\$ 14,433,908</u>

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Economic Investment Trust Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 2000 (continued)

The changes in capital stock during the year were as follows:

	2000		1999	
	Number of shares	Amount	Number of shares	Amount
COMMON SHARES				
Balance, beginning of year	2,227,455.000	\$ 110,038,186	2,167,075.000	\$ 101,335,617
Capital gains stock dividends	73,080.623	10,825,431	60,442.944	8,711,641
Redemption of fractional shares	(66.623)	(9,868)	(62.944)	(9,072)
Balance, end of year	<u>2,300,469.000</u>	<u>\$ 120,853,749</u>	<u>2,227,455.000</u>	<u>\$ 110,038,186</u>

	2000		1999	
	Number of shares	Amount	Number of shares	Amount
SERIES A PREFERRED SHARES				
Balance, beginning of year	35,190	\$ 1,759,500	37,290	\$ 1,864,500
Shares purchased for cancellation	(1,700)	(85,000)	(2,100)	(105,000)
Balance, end of year	<u>33,490</u>	<u>\$ 1,674,500</u>	<u>35,190</u>	<u>\$ 1,759,500</u>

The capital stock account of the company is as follows:

	December 31	
	2000	1999
Series A preferred shares		
Issued - 33,490 (1999 - 35,190) shares	\$ 1,674,500	\$ 1,759,500
Common shares		
Issued - 2,300,469 (1999 - 2,227,455) shares	120,853,749	110,038,186
	<u>\$ 122,528,249</u>	<u>\$ 111,797,686</u>

The difference between the stated capital and the cost of the preferred shares purchased for cancellation has been credited to contributed surplus.

5. Related party information

Included in the company's investments are securities in significantly influenced companies with a market value of \$128,939,358 (1999 - \$80,700,732). Dividends from these companies for the year ended December 31, 2000 amounted to \$1,034,645 (1999 - \$1,233,258).

Economic Investment Trust Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 2000 (continued)

6. Net equity value of the company's common shares

The net equity value of the company's common shares is determined by adding the total amount of refundable capital gains tax on hand (Note 2) to the net assets and deducting from the resulting total the outstanding preferred shares at their cost of redemption. The net equity value per common share is the net equity value divided by the number of common shares outstanding.

	December 31	
	2000	1999
Net assets	\$ 384,157,748	\$ 330,242,175
Add: Refundable capital gains tax on hand at end of year (Note 2)	25,135,000	4,876,000
	409,292,748	335,118,175
Deduct: Cost of redemption of preferred shares	1,758,225	1,847,475
Net equity value	\$ 407,534,523	\$ 333,270,700
Net equity value per common share	\$ 177.15	\$ 144.87

7. Statement of financial highlights

- The management expense ratio is calculated based on the ratio of operating expenses (other than income taxes) to monthly weighted average net assets.
- The portfolio turnover ratio is calculated by dividing the lesser of purchases or sales of securities, excluding investments having maturity dates at acquisition of one year or less, by the weighted average monthly amount of investments held during the year.
- The annual rate of return is calculated based on the change in net asset value per share with reinvestment of cash dividends at month-end net asset values.

8. Subsequent event

On February 7, 2001, the company declared a capital gains dividend of \$39.60 per common share payable on February 28, 2001 to shareholders of record February 19, 2001 payable \$9.90 in cash and \$29.70 in stock. Approximately 395,600 common shares will be issued at \$172.72 per share for a total consideration of approximately \$68,324,000 in satisfaction of the stock dividend, resulting in the issue of 1 common share for each 5.81549 common shares outstanding at the record date.

This dividend will result in a recovery of the company's refundable capital gains tax on hand of \$25,135,000 (see Note 2) at December 31, 2000.

The amounts noted in the statement of financial highlights for income from investment operations and net equity value per common share at December 31, 2000 would be \$21.17 and \$151.16, respectively, after giving retroactive effect to the stock portion of the capital gains dividend.

9. Comparative information

Certain comparative information has been reclassified to conform to the basis of presentation adopted in 2000.

Economic Investment Trust Limited

AUDITORS' REPORT

To the Shareholders of
Economic Investment Trust Limited:

We have audited the accompanying consolidated statement of net assets of Economic Investment Trust Limited as at December 31, 2000 and 1999, and the consolidated statement of investments as at December 31, 2000, the consolidated statements of operations, retained earnings and changes in net assets for the years then ended, and the statement of financial highlights for each of the years in the five year period ended December 31, 2000. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and 1999, its results of operations and changes in net assets for the years then ended, and its financial highlights for each of the years in the five year period ended December 31, 2000, in accordance with Canadian generally accepted accounting principles.

February 7, 2001
Toronto, Canada

PricewaterhouseCoopers LLP
Chartered Accountants

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT DECEMBER 31, 2000

Number of shares or par value		Cost	Market value	% of Market
	Convertible debenture			
\$ 500,000	SwissLink Financial Corp.	\$ 500,000	\$ 452,790	0.11
	Communications and media			
119,000	Quebecor Inc.	4,776,314	2,975,000	0.73
	Conglomerates			
185,300	Canadian Pacific Limited	5,465,957	7,921,575	1.95
	Consumer products			
222,000	Cott Corporation	1,746,137	2,553,000	0.63
	Financial services			
221,685	Bank of Montreal	14,807,226	17,424,456	
420,587	Bank of Nova Scotia	10,579,869	18,169,355	
65,828	Canadian Imperial Bank of Commerce	2,731,623	3,060,981	
326,567	E-L Financial Corporation Limited	6,789,981	81,641,750	
381,000	Manulife Financial Corporation	11,998,826	17,887,950	
514,378	National Bank of Canada	12,818,828	13,682,465	
207,139	NVG Holdings Limited *			
	Classes B, C, D, E and common	1,540,758	14,230,449	
4,765	TGV Holdings Limited Cl. B *	318,411	4,138,307	
		61,585,522	170,235,713	41.91
	Industrial products			
155,700	Bombardier Inc. Cl. B	3,721,190	3,604,455	
10,000	C-Mac Industries Inc.	886,537	670,000	
325,300	Creo Products Inc.	13,500,123	10,002,975	
447,156	Dofasco Inc.	11,395,215	8,987,826	
246,100	Leitch Technology Corp.	5,271,088	6,115,585	
62,869	Magna International Inc. Cl. A	4,503,918	3,954,431	
398,000	Mitel Corporation	10,820,303	4,815,800	
311,261	Nortel Networks Corporation	8,174,338	15,018,343	
447,200	SNC-Lavalin Group Inc. Cl. A	5,635,916	6,238,440	
535,000	Stelco Inc. Series A	3,508,334	1,952,750	
		67,416,962	61,360,605	15.11
	Investment companies			
31,776	Ecando Investments Limited			
	Classes "A", "B" and common	4,138,676	18,639,910	
176,414	The Fulcrum Investment Company Limited	464,423	5,398,268	
		4,603,099	24,038,178	5.92

* The net assets of NVG Holdings Limited and TGV Holdings Limited are invested primarily in the shares of The Bank of Nova Scotia.

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Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT DECEMBER 31, 2000

Number of shares or par value		Cost	Market value	% of Market
	Merchandising			
466,000	Finning International Inc.	\$ 5,673,562	\$ 5,918,200	
356,846	Hudson's Bay Company	6,214,776	5,245,631	
		11,888,338	11,163,831	2.75
	Oil & gas			
803,300	Husky Energy Inc.	12,492,486	11,969,170	
349,000	Petro-Canada	10,468,195	13,314,350	
305,000	Talisman Energy Inc.	13,392,691	16,973,250	
		36,353,372	42,256,770	10.40
	Paper and forest products			
470,000	Abitibi - Consolidated Inc.	5,529,601	6,486,000	
316,600	Alliance Forest Products	5,631,127	4,622,360	
433,100	Canfor Corp.	4,244,882	4,287,690	
651,000	Tembec Inc. Cl. A	9,976,191	9,081,450	
		25,381,801	24,477,500	6.03
	Pipelines			
273,100	Westcoast Energy Inc.	6,606,494	9,886,220	2.44
	Transportation and environmental services			
212,638	Algoma Central Corporation	2,973,458	4,890,674	
151,500	Canadian National Railway Co.	4,242,935	6,719,025	
		7,216,393	11,609,699	2.86
	Utilities			
187,111	BCE Inc.	6,006,014	8,101,913	
130,100	Manitoba Telecom Services	3,530,827	4,995,840	
		9,536,841	13,097,753	3.22
	Foreign securities			
50,000	Alcatel Sponsored ADR.	1,772,201	4,193,952	
20,000	Bayer AG ADR	1,257,934	1,563,229	
35,000	Compaq Computer Corp.	1,830,818	789,862	
31,463	Emerging Markets Investor Fund	923,273	800,809	
40,000	Federated Department Stores	2,196,368	2,099,300	
15,000	Hitachi Limited ADR	2,239,128	1,935,761	
35,000	International Business Machines	2,150,674	4,461,012	
100,000	Matsushita Electric Ind. ADR	2,320,224	3,505,081	
45,000	Motorola	2,020,371	1,366,419	
20,000	Nippon Tel & Tel ADR	2,089,930	1,070,283	
20,000	United Technologies Inc.	1,735,114	2,357,965	
		20,536,035	24,143,673	5.94
Total investments		\$ 263,613,265	\$ 406,172,307	100.00

Economic Investment Trust Limited

Economic Investment Trust Limited was the first closed end investment trust formed in Canada in the 1920's. The trust was sponsored by the chartered accounting firm of George A. Touche & Company.

The initial capitalization consisted of 32,250 shares issued in 1927 at \$50 for a total of \$1,612,500. In addition, \$1,000,000 of 30 year 5% Collateral Trust Gold Bonds were issued in 1927, making the total amount of initial capital subscribed \$2,612,500.

FINANCIAL RECORD - 1928 - 2000

Year Ended March 31	Total Net Assets at Market Value*	Funded Debt	Preferred Shares Outstanding**	Refundable capital gains tax on hand	Net Equity Behind Common Shares	Net Investment Income	Net Equity Value per Common Share=
1928	\$ 2,776,143	\$ 1,000,000	\$ —	\$ —	\$ 1,776,143	\$ 59,836	\$ 1.98
1929	2,990,242	1,000,000	—	—	1,990,242	108,757	1.88
1930	3,064,552	1,000,000	—	—	2,064,552	132,219	1.86
1931	2,344,127	1,000,000	—	—	1,344,127	109,133	1.21
1932	1,412,796	990,000	—	—	422,796	69,803	0.38
1933	1,161,715	962,500	—	—	199,215	36,538	0.18
1934	1,808,188	959,500	—	—	848,688	29,378	0.76
1935	1,838,293	949,500	—	—	888,793	27,665	0.80
1936	2,353,313	949,500	—	—	1,403,813	39,181	1.26
1937	3,084,608	949,500	—	—	2,135,108	83,259	1.92
1938	2,028,005	1,000,000	—	—	1,028,005	89,611	0.92
1939	2,322,361	1,000,000	—	—	1,322,361	73,262	1.19
1940	2,779,329	1,000,000	—	—	1,779,329	64,964	1.60
1941	2,350,199	1,000,000	—	—	1,350,199	89,373	1.21
1942	2,145,074	1,000,000	—	—	1,145,074	86,242	1.03
1943	2,604,866	1,000,000	—	—	1,604,866	79,552	1.44
1944	2,889,930	1,000,000	—	—	1,889,930	91,189	1.70
1945	3,238,955	1,000,000	—	—	2,238,955	93,286	2.01
1946	3,896,005	1,000,000	—	—	2,896,005	83,594	2.60
1947	3,663,744	1,000,000	—	—	2,663,744	88,005	2.39
1948	3,522,969	1,000,000	—	—	2,522,969	103,576	2.27
1949	3,555,427	1,000,000	—	—	2,555,427	146,777	2.29
1950	3,835,291	1,000,000	—	—	2,835,291	164,712	2.55
1951	5,083,980	1,250,000	—	—	3,833,980	187,339	2.75
1952	5,242,547	1,250,000	—	—	3,992,547	224,680	2.87
Year End Dec. 31							
1953	5,197,984	1,250,000	—	—	3,947,984	189,902	2.84
1954	6,579,007	1,250,000	—	—	5,329,007	203,946	3.83
1955	8,972,261	2,000,000	—	—	6,972,261	244,543	4.17
1956	9,927,524	3,000,000	—	—	6,927,524	268,643	4.15
1957	8,299,244	2,940,000	—	—	5,359,244	267,456	3.18
1958	10,802,381	2,940,000	—	—	7,862,381	244,745	4.66
1959	11,125,555	2,920,000	—	—	8,205,555	250,593	4.85
1960	11,462,158	2,902,500	—	—	8,559,658	279,614	5.04
1961	15,222,285	2,509,500	—	—	12,712,785	348,260	5.89
1962	15,959,655	2,000,000	2,100,000	—	11,859,655	427,727	5.16
1963	17,633,299	2,000,000	2,100,000	—	13,533,299	495,390	5.88
1964	20,955,088	—	5,250,000	—	15,705,088	616,158	6.83
1965	21,897,735	—	5,250,000	—	16,647,735	703,888	7.24
1966	19,613,106	—	5,250,000	—	14,363,106	737,222	6.24
1967	23,076,097	—	5,128,462	—	17,947,635	788,772	7.80
1968	27,392,675	—	5,061,263	—	22,331,412	732,823	9.71
1969	25,942,615	—	5,061,263	—	20,881,352	759,294	9.08

Economic Investment Trust Limited

FINANCIAL RECORD - 1928 - 2000 (cont'd)

Year Ended Dec 31	Total Net Assets at Market Value*	Funded Debt	Preferred Shares Outstanding**	Refundable capital gains tax on hand	Net Equity Behind Common Shares	Net Investment Income	Net Equity Value per Common Share=
1970	\$ 4,365,591	\$ —	\$5,061,263	\$ —	\$ 19,304,328	\$ 798,172	\$ 8.39
1971	27,254,532	—	5,056,013	—	22,198,519	781,332	9.65
1972	34,784,901	—	5,056,013	103,500	29,832,388	835,490	12.97
1973	32,502,656	—	5,056,013	110,000	27,556,643	862,673	11.98
1974	24,025,473	—	5,024,513	110,000	19,110,960	966,022	8.31
1975	26,475,662	—	4,870,950	110,000	21,714,712	1,097,837	9.44
1976	31,527,836	3,000,000	4,738,387	110,000	23,899,449	1,104,158	10.39
1977	36,885,088	3,000,000	4,685,677	110,000	29,309,411	1,125,886	12.74
1978	47,035,243	4,000,000	4,622,677	459,000	38,871,556	1,474,268	16.90
1979	56,745,880	4,000,000	4,526,340	1,254,000	49,473,540	1,542,999	21.51
1980	73,727,109	4,000,000	4,375,665	2,970,000	68,321,444	2,406,263	29.70
1981	59,815,872	4,000,000	4,239,165	4,249,000	55,825,707	1,840,964	24.27
1982	65,149,238	4,000,000	4,104,503	3,029,661	60,074,396	2,216,486	26.11
1983	87,807,749	4,000,000	3,973,253	1,410,699	81,245,195	2,194,598	35.32
1984	91,051,485	4,000,000	3,792,915	1,277,863	84,536,433	2,483,432	36.75
1985	109,011,674	4,000,000	3,588,690	1,201,432	102,624,416	2,429,265	44.61
1986	114,166,995	—	3,582,600	2,362,000	112,946,395	3,181,046	49.10
1987	106,475,081	—	3,388,350	662,000	103,748,731	3,426,535	45.10
1988	116,457,875	—	3,388,350	820,300	113,889,825	4,218,680	49.51
1989	137,871,425	—	3,209,850	1,031,000	135,692,575	11,194,419	58.98
1990	110,001,074	—	3,078,600	1,687,000	108,609,474	4,660,669	47.21
1991	120,600,500	—	2,947,350	567,000	118,220,150	3,830,150	51.39
1992	117,818,216	—	2,816,100	783,000	115,785,116	4,563,811	50.33
1993	157,775,602	—	2,684,850	2,735,000	157,825,752	4,264,700	68.61
1994	154,366,838	—	2,553,600	2,639,000	154,452,238	3,735,794	67.14
1995	171,655,673	—	2,411,850	2,129,000	171,372,823	3,829,290	74.49
1996	217,327,041	—	2,267,475	2,695,000	217,754,566	4,342,855	94.66
1997	310,642,038	—	2,151,975	5,000,000	313,490,063	4,603,979	136.27
1998	308,391,757	—	1,957,725	3,906,000	310,340,032	5,120,709	134.90
1999	330,242,175	—	1,847,475	4,876,000	333,270,700	4,146,249	144.87
2000	384,157,748	—	1,758,225	25,135,000	407,534,523	4,769,362	177.15

* Total assets at market value less current liabilities exclusive of funded debt and preferred shares.

** Preferred Shares at redemption price of \$52.50 per share.

= As of December 31, 2000 there were 2,300,469 common shares outstanding. The calculation of net equity value are restated to reflect a 5-for-2 split in 1951, 5-for-1 split in 1963, 1-for-8 stock dividend (issue price \$50.08) in 1982, 1-for-7 stock dividend (issue price \$49.07) in 1983, 1-for-20 stock dividend (issue price \$60.00) in 1984, 1-for-22 stock dividend (issue price \$59.40) in 1985, 1-for-31 stock dividend (issue price \$69.75) in 1986, 1-for-17 stock dividend (issue price \$71.40) in 1987, 1-for-63 stock dividend (issue price \$64.26) in 1988, 1-for-67 stock dividend (issue price \$70.35) in 1989, 1-for-56 stock dividend (issue price \$82.32) in 1990, 1-for-30 stock dividend (issue price \$64.80) in 1991, 1-for-27.7 stock dividend (issue price \$91.41) in 1994, 1-for-28.78 stock dividend (issue price \$86.34) in 1995, 1-for-38.4246 stock dividend (issue price \$96.83) in 1996, 1-for-37.6442 stock dividend (issue price \$117.45) and 1-for-13.3767 stock dividend (issue price \$160.52) in 1997, 1-for-29.0495 stock dividend (issue price \$152.51) in 1998, and 1-for-35.8532 stock dividend (issue price \$144.13) in 1999, and 1-for-30.47942 stock dividend (issue price \$148.13) in 2000.

